

CITY OF WINTERSET
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

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City of Winterset

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Olson	Mayor	January 1, 2020
Howard Harrell	Council Member	January 1, 2020
Mike Fletcher	Council Member	January 1, 2020
Trevor Bindel	Council Member	January 1, 2022
Philip Macumber	Council Member	January 1, 2022
Debra Kaldenberg	Council Member	January 1, 2020
Kelley Brown	City Administrator/City Clerk	Indefinite
Flander Rosien, P.C.	Attorney	Indefinite

(After January 2020)

Philip Macumber	Mayor	January 1, 2022
Howard Harrell	Council Member	January 1, 2024
Joanna Madison-Gustafson	Council Member	January 1, 2024
Trevor Bindel	Council Member	January 1, 2022
Chris Fairholm	Council Member	January 1, 2024
Mary Ann Orr	Council Member	January 1, 2024
Kelley Brown	City Administrator/City Clerk	Indefinite
Flander Rosien, P.C.	Attorney	Indefinite

City of Winterset



FALLER, KINCHELOE & Co, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 29 through 33 and has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Faller, Kincheloe & Co., PLC

FALLER, KINCHELOE & CO., PLC

February 4, 2021

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,418,389	66,094	131,867	-	(1,220,428)	-	(1,220,428)
Public works	706,624	32,644	667,114	-	(6,866)	-	(6,866)
Health and social services	6,000	-	-	-	(6,000)	-	(6,000)
Culture and recreation	1,092,993	154,151	101,460	-	(837,382)	-	(837,382)
Community and economic development	689,260	-	-	-	(689,260)	-	(689,260)
General government	529,191	14,429	63,977	15,933	(434,852)	-	(434,852)
Debt service	1,621,465	-	-	-	(1,621,465)	-	(1,621,465)
Capital projects	1,334,907	-	-	474,694	(860,213)	-	(860,213)
Total governmental activities	7,398,829	267,318	964,418	490,627	(5,676,466)	-	(5,676,466)
Business type activities:							
Sewer	1,908,716	1,201,875	-	-	-	(706,841)	(706,841)
Garbage	365,761	352,289	-	-	-	(13,472)	(13,472)
Total business type activities	2,274,477	1,554,164	-	-	-	(720,313)	(720,313)
Total	\$ 9,673,306	1,821,482	964,418	490,627	(5,676,466)	(720,313)	(6,396,779)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					2,235,848	-	2,235,848
Debt service					527,772	-	527,772
Tax increment financing					1,546,430	-	1,546,430
Hotel motel tax					77,410	-	77,410
Local option sales tax					492,971	-	492,971
Payment in lieu of tax					216,000	-	216,000
Commercial/industrial tax replacement					95,048	-	95,048
Unrestricted interest on investments					9,969	-	9,969
Note and bond proceeds					1,175,526	1,090,795	2,266,321
Transfers					31,247	(31,247)	-
Total general receipts and transfers					6,408,221	1,059,548	7,467,769
Change in cash basis net position					731,755	339,235	1,070,990
Cash basis net position beginning of year					1,318,304	546,362	1,864,666
Cash basis net position end of year					\$ 2,050,059	885,597	2,935,656
Cash Basis Net Position							
Restricted:							
Expendable:							
Urban renewal purposes					\$ 158,617	-	158,617
Streets					335,950	-	335,950
Other purposes					923,969	-	923,969
Unrestricted					631,523	885,597	1,517,120
Total cash basis net position					\$ 2,050,059	885,597	2,935,656

See notes to financial statements.

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue							
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Low Moderate Income	Debt Service	Capital Projects	Nonmajor
Receipts:								
Property tax	\$1,581,730	-	654,118	-	-	527,772	-	-
Tax increment financing	-	-	-	1,546,430	-	-	-	-
Other city tax	570,380	-	-	-	-	-	-	-
Licenses and permits	57,381	-	-	-	-	-	-	-
Use of money and property	9,969	-	-	-	-	-	-	-
Intergovernmental	481,976	667,114	21,164	24,200	-	6,573	262,593	-
Charges for service	139,285	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	40,878
Miscellaneous	139,084	-	2,797	-	-	-	171,223	19,144
Total receipts	2,979,805	667,114	678,079	1,570,630	-	534,345	433,816	60,022
Disbursements:								
Operating:								
Public safety	1,095,246	-	211,352	-	-	-	-	-
Public works	47,778	658,846	111,791	-	-	-	-	-
Health and social services	6,000	-	-	-	-	-	-	-
Culture and recreation	882,262	-	194,451	-	-	-	-	16,280
Community and economic development	142,522	-	-	542,884	3,854	-	-	-
General government	432,776	-	96,415	-	-	-	-	-
Debt service	-	-	-	-	-	1,621,465	-	-
Capital projects	-	-	-	-	-	-	1,334,907	-
Total disbursements	2,606,584	658,846	614,009	542,884	3,854	1,621,465	1,334,907	16,280
Excess (deficiency) of receipts over (under) disbursements	373,221	8,268	64,070	1,027,746	(3,854)	(1,087,120)	(901,091)	43,742
Other financing sources (uses):								
Note and bond proceeds, net of \$13,901 premium	175,000	-	-	-	-	-	1,000,526	-
Transfers in	110,492	-	-	-	191,703	1,062,487	202,800	10,000
Transfers out	(486,668)	(46,600)	-	(876,460)	(87,032)	-	-	(49,475)
Total other financing sources (uses)	(201,176)	(46,600)	-	(876,460)	104,671	1,062,487	1,203,326	(39,475)
Change in cash balances	172,045	(38,332)	64,070	151,286	100,817	(24,633)	302,235	4,267
Cash balances beginning of year	525,787	374,282	181,072	7,331	423,355	(41,676)	(197,704)	45,857
Cash balances end of year	\$ 697,832	335,950	245,142	158,617	524,172	(66,309)	104,531	50,124
Cash Basis Fund Balances								
Restricted for:								
Urban renewal purposes	\$ -	-	-	158,617	-	-	-	-
Streets	-	335,950	-	-	-	-	-	-
Other purposes	-	-	245,142	-	524,172	-	104,531	50,124
Assigned for local option sales tax purposes	182,805	-	-	-	-	-	-	-
Unassigned	515,027	-	-	-	-	(66,309)	-	-
Total cash basis fund balances	\$ 697,832	335,950	245,142	158,617	524,172	(66,309)	104,531	50,124

See notes to financial statements.

City of Winterset

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise			Internal
	Nonmajor -			Service
	Sewer	Garbage	Total	Health Insurance
Operating receipts:				
Charges for service	1,201,875	352,289	1,554,164	185,631
Total operating receipts	1,201,875	352,289	1,554,164	185,631
Operating disbursements:				
Public safety	-	-	-	35,686
Public works	-	-	-	90,106
Culture and recreation	-	-	-	33,065
General government	-	-	-	15,004
Business type activities	599,254	365,761	965,015	11,770
Total operating disbursements	599,254	365,761	965,015	185,631
Excess (deficiency) of operating receipts over (under) operating disbursements	602,621	(13,472)	589,149	-
Non-operating receipts (disbursements):				
Bond proceeds	1,090,795	-	1,090,795	-
Debt service	(260,298)	-	(260,298)	-
Capital projects	(1,049,164)	-	(1,049,164)	-
Net non-operating receipts (disbursements)	(218,667)	-	(218,667)	-
Excess (deficiency) of receipts over (under) disbursements	383,954	(13,472)	370,482	-
Other financing sources (uses):				
Transfers out	(31,247)	-	(31,247)	-
Total other financing sources (uses)	(31,247)	-	(31,247)	-
Change in cash balances	352,707	(13,472)	339,235	-
Cash balances beginning of year	547,484	(1,122)	546,362	-
Cash balances end of year	\$ 900,191	(14,594)	885,597	-
Cash Basis Fund Balances				
Unrestricted	\$ 900,191	(14,594)	885,597	-
Total cash basis fund balances	\$ 900,191	(14,594)	885,597	-

See notes to financial statements.

City of Winterset

Exhibit D

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Fiduciary Fund

As of and for the year ended June 30, 2020

	Agency
	Utility
	Reimbursement
Additions:	
Miscellaneous	\$ 1,367,148
Total additions	1,367,148
Deductions:	
Miscellaneous	1,367,148
Total deductions	1,367,148
Change in cash balances	-
Cash balances beginning of year	-
Cash balances end of year	\$ -

See notes to financial statements.

City of Winterset

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Winterset (City) is a political subdivision of the State of Iowa located in Madison County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Winterset Municipal Utilities was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City Council. The Utilities' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Utilities administrative office.

The Winterset Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Winterset City Council who serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented.

The Friends of the Winterset Public Library has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Winterset Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Winterset Public Library meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Friends of the Winterset Public Library are substantially for the direct benefit of the City of Winterset Public Library.

The Winterset Firefighters Association, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Winterset Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Winterset Firefighters Association, Inc. meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Winterset Firefighters Association, Inc. are substantially for the direct benefit of the City of Winterset Fire Department.

The Friends of the Winterset Area Skate Park has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes for the enhancement and improvement of the Winterset Area Skate Park. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of the Winterset Area Skate Park meets the definition of a component unit. Based on these criteria, the economic resources received or held by the Friends of the Winterset Area Skate Park are substantially for the direct benefit of the City of Winterset.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Madison County Emergency Management Commission, Central Iowa Regional Transportation Planning Alliance Board, Fire Mutual Aid Executive Board, Madison County Assessor's Conference Board, South Central Iowa Landfill Agency, and the Central Iowa Regional Housing Authority.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds. A combining schedule is also provided for the General Fund accounts.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Low Moderate Income Fund is used to account for the low to moderate income monies received to be used for the low to moderate income program disbursements in the City.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following proprietary fund:

The Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Loan Receivable**

In fiscal year 2019, the City loaned \$10,000 to a local committee to coordinate a recreation/tourism event in the City. This is a no interest rate loan, with repayment due no later than September 2, 2019. This loan was paid back to the City on October 2, 2019.

(4) **Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Direct placements:					
General Obligation Bonds and Notes	\$ -	136,625	-	136,625	27,325
General Obligation Bonds and Notes	7,727,000	1,025,000	1,395,000	7,357,000	1,440,000
Governmental activities total	\$ 7,727,000	1,161,625	1,395,000	7,493,625	1,467,325
Business type activities:					
Direct borrowings:					
Sewer Revenue Bonds	\$ 2,292,000	1,090,795	143,000	3,239,795	208,000
Interim Sewer Revenue Project Notes	44,035	-	44,035	-	-
Business-type activities total	\$ 2,336,035	1,090,795	187,035	3,239,795	208,000

Direct Placements - General Obligation Bonds and Notes

A summary of the City's June 30, 2020 direct placements general obligation bonds and notes payable is as follows:

Year Ending June 30,	Vehicle Acquisition Note Issued December 14, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	2.70%	\$ 27,325	3,320	27,325	3,320	30,645
2022	2.70%	27,325	2,583	27,325	2,583	29,908
2023	2.70%	27,325	1,845	27,325	1,845	29,170
2024	2.70%	27,325	1,107	27,325	1,107	28,432
2025	2.70%	27,325	369	27,325	369	27,694
		<u>\$ 136,625</u>	<u>9,224</u>	<u>136,625</u>	<u>9,224</u>	<u>145,849</u>

On December 14, 2019, the City issued \$136,625 in general obligation vehicle acquisition note with an interest rate of 2.70% per annum. The note was used to finance the purchase of public works equipment. During the year ended June 30, 2020, the City paid \$0 in principal and \$1,814 of interest on the note.

General Obligation Bonds and Notes

A summary of the City's June 30, 2020 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Issued March 29, 2012			Corporate Purpose and Refunding Issued March 12, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.75%	\$ 510,000	20,670	2.00%	\$ 530,000	55,000
2022	1.95%	470,000	11,745	2.00%	495,000	44,400
2023	2.15%	120,000	2,580	2.50%	535,000	34,500
2024	-	-	-	2.50%	535,000	21,125
2025	-	-	-	2.50%	310,000	7,750
		<u>\$1,100,000</u>	<u>34,995</u>		<u>\$2,405,000</u>	<u>162,775</u>

Year Ending June 30,	Corporate Purpose Series 2016			Refunding Series 2017A		
	Issued November 22, 2016			Issued November 21, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.20%	\$ 30,000	8,184	3.00%	\$ 205,000	19,050
2022	2.20%	31,000	7,524	3.00%	210,000	12,900
2023	2.20%	31,000	6,842	3.00%	220,000	6,600
2024	2.20%	32,000	6,160		-	-
2025	2.20%	34,000	5,456		-	-
2026-2030	2.20%	214,000	15,070		-	-
		<u>\$ 372,000</u>	<u>49,236</u>		<u>\$ 635,000</u>	<u>38,550</u>

Year Ending June 30,	Corporate Purpose, Series 2018A			Corporate Purpose Series 2019A		
	Issued July 12, 2018			Issued July 12, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 135,000	60,850	2.00%	\$ 30,000	26,200
2022	3.00%	140,000	56,800	2.00%	35,000	25,600
2023	3.00%	125,000	52,600	2.00%	130,000	24,900
2024	3.00%	130,000	48,850	2.00%	130,000	22,300
2025	3.00%	90,000	44,950	2.00%	130,000	19,700
2026-2030	3.00%	575,000	179,150	3.00%	570,000	43,500
2031-2034	3.00-4.00%	625,000	64,800		-	-
		<u>\$1,820,000</u>	<u>508,000</u>		<u>\$1,025,000</u>	<u>162,200</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 1,440,000	189,954	1,629,954
2022	1,381,000	158,969	1,539,969
2023	1,161,000	128,022	1,289,022
2024	827,000	98,435	925,435
2025	564,000	77,856	641,856
2026-2030	1,359,000	237,720	1,596,720
2031-2034	625,000	64,800	689,800
	<u>\$ 7,357,000</u>	<u>955,756</u>	<u>8,312,756</u>

On March 29, 2012, the City issued \$4,860,000 of general obligation and corporate purpose and refunding bonds with interest rates ranging from 0.45% to 2.15% per annum. The bonds were issued to pay the costs of constructing street improvement and storm sewer system improvements, acquire a fire truck, current refund two outstanding debt issues, advance refund multiple debt issues and to pay the costs of issuance of the bonds. During the year ended June 30, 2020, the City paid \$500,000 of principal and \$28,420 of interest on the bonds.

On March 12, 2015, the City issued \$5,320,000 of general obligation and corporate purpose and refunding bonds with interest rates ranging from 2.00% to 2.50% per annum. The bonds were issued to pay the costs of constructing street, sidewalk, curb and gutter and storm water system improvements, acquiring and installing street lighting and traffic control improvements, undertaking an urban renewal project consisting of renovating the municipal library, current refund the general obligation corporate purpose loan agreement anticipation project notes and to pay the costs of issuance of the bonds. During the year ended June 30, 2020, the City paid \$545,000 in principal and \$65,900 of interest on the bonds.

On November 22, 2016, the City issued \$460,000 of general obligation corporate purpose bonds with an interest rate of 2.20% per annum. The bonds were used to pay the costs of constructing street and sidewalk improvements, constructing and installing repairs and improvements to City Hall, including HVAC system upgrades and to pay the costs of issuance of the bonds. During the year ended June 30, 2020, the City paid \$30,000 in principal and \$8,844 of interest on the bonds.

On November 21, 2017, the City issued \$1,245,000 of general obligation refunding bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued to current refund the 2011 bonds and to pay the costs of issuance of the bonds. During the year ended June 30, 2020, the City paid \$200,000 in principal and \$23,050 of interest on the bonds.

On July 12, 2018, the City issued \$1,995,000 in general obligation corporate purpose bonds with interest rates ranging from 3.00% to 4.00% per annum. The bonds were issued to finance the construction of storm water management improvements, acquisition of vehicles and equipment for use by the municipal street department, construction of public parking facilities and to pay the costs associated with issuance of the bonds. During the year ended June 30, 2020, the City paid \$120,000 in principal and \$64,450 of interest on the bonds.

On August 14, 2019, the City issued \$1,025,000 in general obligation corporate purpose bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were used to finance building façade improvements, the City's share of airport improvements, purchase fire equipment and to pay the costs associated with issuance of the bonds. During the year ended June 30, 2020, the City paid \$0 in principal and \$20,887 of interest on the bonds.

Direct Borrowings - Sewer Revenue Bonds

A summary of the City's June 30, 2020 direct borrowings sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer Revenue Bonds Series 2012			Sewer Revenue Bonds Series 2015		
	Issued June 15, 2012			Issued October 2, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 58,000	25,020	1.75%	\$ 76,000	23,013
2022	3.00%	60,000	23,280	1.75%	78,000	21,683
2023	3.00%	62,000	21,480	1.75%	79,000	20,318
2024	3.00%	64,000	19,620	1.75%	81,000	18,936
2025	3.00%	66,000	17,700	1.75%	82,000	17,518
2026-2030	3.00%	362,000	57,570	1.75%	437,000	65,418
2031-2035	3.00%	162,000	7,320	1.75%	482,000	25,606
		<u>\$ 834,000</u>	<u>171,990</u>		<u>\$ 1,315,000</u>	<u>192,492</u>

Year Ending June 30,	Sewer Revenue Bonds Series 2020 Issued February 14, 2020			Total		
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$ 74,000	19,089	\$ 208,000	67,122	275,122
2022	3.00%	76,000	17,794	214,000	62,757	276,757
2023	3.00%	77,000	16,464	218,000	58,262	276,262
2024	3.00%	79,000	15,117	224,000	53,673	277,673
2025	3.00%	81,000	13,734	229,000	48,952	277,952
2026-2030	3.00%	428,000	46,902	1,227,000	169,890	1,396,890
2031-2035	3.00%	275,795	9,668	919,795	42,594	962,389
		<u>\$ 1,090,795</u>	<u>138,768</u>	<u>\$ 3,239,795</u>	<u>503,250</u>	<u>3,743,045</u>

Sewer Revenue Bonds – 2000

On January 17, 2000, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$1,100,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system.

Sewer Revenue Bonds – 2012

On June 15, 2012, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$1,460,000 with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system.

Sewer Revenue Bonds – 2015

On October 2, 2015, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$1,400,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system.

Sewer Revenue Bonds – 2020

On February 14, 2020, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds up to \$1,808,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements to the sanitary sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2020, the City had drawn down \$1,090,795 of the authorized amount. An initiation fee of \$9,040 (0.5% of the authorized borrowing for the sewer revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City during the year ended June 30, 2020. A final repayment schedule has not yet been adopted; however, the payment schedule above is the interim schedule. During year ended June 30, 2020, the City paid principal of \$0 and interest of \$2,985 on the bonds under a preliminary repayment schedule.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,768,000 of sewer revenue bonds issued in January 2000, June 2012, October 2015 and in February 2020. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant and sewer collection system. The bonds are payable solely from sewer customer net receipts and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 33% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,743,045. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. For the current year, principal and interest paid and total customer net receipts were \$197,221 and \$602,621, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bond will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a sewer revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted account noted above can be used to pay for extraordinary repairs or replacements to the sewer system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

The balance in the sewer revenue bond and interest sinking as of June 30, 2020 had a balance of (\$445,145) and as a result, was not in compliance with the provisions of the bond agreements.

Interim Revenue Project Notes

On September 28, 2018, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$105,000 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2019, the City drew \$44,035 on the notes. In fiscal year 2020, the balance owed on these notes was financed by the \$1,808,000 loan issued February 14, 2020. The balance owed in relation to these notes was \$0 at June 30, 2020.

These notes were issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds. The interim revenue project notes have a term of three years.

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$246,733.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,559,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0269322%, which was an increase of 0.000687% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$353,270, \$310,111 and \$387,661, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 3,115,188	1,559,554	255,137

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2020, was \$292,539. Of this \$292,539, a total of \$162,444 relates to the City and \$130,095 relates to the activities of the Winterset Municipal Utilities. All employees are City employees, and the Winterset Municipal Utilities reimburses the City for all payroll related costs, including reimbursement to the City for vacation and sick time costs for those employees who perform activities for the Winterset Municipal Utilities. The liability has been computed based on rates of pay in effect at June 30, 2020.

(7) **Operating Lease Agreement**

The City entered into a lease in December 2019 to lease copier equipment at a monthly minimum of \$219. The lease has been classified as an operating lease and, accordingly, all rents are charged to expense as incurred. The lease expires in February 2025.

The following is a schedule of future payments required under the operating lease which has an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2020:

Year Ended June 30,	Amount
2021	\$ 2,630
2022	2,630
2023	2,630
2024	2,630
2025	1,534
	<u>\$ 12,054</u>

During the fiscal year, total expenditures incurred in relation to this lease agreement were \$1,096.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Low Moderate Income	\$ 79,245
	Enterprise:	
	Sewer	31,247
		<u>110,492</u>
Special Revenue:	Special Revenue:	
Low Moderate Income	Urban Renewal Tax Increment	<u>191,703</u>
Special Revenue:		
Park and Recreation Projects	General	<u>10,000</u>
Debt Service	General	273,868
	Special Revenue:	
	Road Use Tax	46,600
	Urban Renewal Tax Increment	684,757
	Low Moderate Income	7,787
	Special Assessment	49,475
		<u>1,062,487</u>
Capital Projects	General	<u>202,800</u>
	Total	<u>\$ 1,577,482</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Employee Health Insurance Plan

The City has a group insurance policy through Wellmark which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City provides for an insured benefit through Wellmark with a plan deductible of \$6,750 and \$13,000 for single and family coverage, respectively. The City partially self-funds the deductibles for \$6,250 and \$12,000 for single and family coverage, respectively.

The City contracts with Employee Benefit Systems (EBS) to administer the portion of health claims self-funded by the City. Under the administrative services agreement, the City pays EBS a monthly fee to administer the program. EBS initiates the checks to reimburse the employees, with the checks coming out of the City's bank account. The financial activities of the employee health insurance plan are accounted for in the Internal Service, Health Insurance Fund. During the year ended June 30, 2020, the City reimbursed its employees \$185,631 in relation to this program.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Balances

The Debt Service Fund had a deficit balance of \$66,309 at June 30, 2020. This deficit was caused by spending more monies than available in the fund. It is anticipated that this deficit will be eliminated through an increase in property taxes.

The Enterprise, Garbage Fund had a deficit balance of \$14,594 at June 30, 2020. This deficit was caused by spending more monies than available in the fund. It is anticipated that this deficit will be eliminated through charge for service fee increases in the future.

(12) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings and infrastructure. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The related low and moderate set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. The remaining total to be paid by the City under the agreements is not to exceed \$5,630,470.

The City rebated \$542,884 to the developers during fiscal year 2020. The outstanding balance of the agreements at June 30, 2020 with fixed dollar commitments was \$33,860. The outstanding balance of the agreements at June 30, 2020 subject to annual appropriation was \$5,596,610.

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$219,409 of property tax was diverted from the City under the urban renewal and economic development agreements.

(14) Contingencies

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

The City is subject to litigation in the normal course of operations. Management does not expect a material adverse outcome as a result of these actions.

(15) Commitments

The City has entered into agreements for various capital improvement projects. As of June 30, 2020, approximately \$749,000 remains to be paid on these projects. The City intends to pay for these costs from existing cash reserves and from additional borrowings of monies.

The City has made a pledge to the Madison County Conservation Board of \$25,000, to be paid in five annual installments of \$5,000 each beginning in fiscal year 2021.

The City entered into an agreement with a private contractor for residential solid waste collection. The agreement is through September 30, 2024. The amount paid to the contractor by the City is a set amount per household and can be increased each year by the change in the consumer price index. In addition, the amount paid to the contractor can also be increased if the dumping fees at the landfill are increased. The total amount paid to the private contractor by the City for residential solid waste collection was \$337,149 in fiscal year 2020.

The City and USW Utility Group (USW) have entered into an agreement with an effective date of November 4, 2019. The agreement runs through June 30, 2025. The agreement with USW states that USW will operate and maintain the City's sewer system. During fiscal year 2020, the City paid USW \$184,906. The agreement with USW allows for rate increases over the term of the agreement.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Winterset, remains uncertain. To date, the outbreak has not created a material disruption to the operations of the City of Winterset. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Winterset's operations and finances.

(17) Subsequent Events

The City has evaluated all subsequent events through February 4, 2021, the date the financial statements were available to be issued.

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Winterset
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total	Budgetd Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 2,763,620	-	-	2,763,620	2,776,296	2,776,296	(12,676)
Tax increment financing	1,546,430	-	-	1,546,430	1,553,239	1,553,239	(6,809)
Other city tax	570,380	-	-	570,380	571,228	571,228	(848)
Licenses and permits	57,381	-	-	57,381	54,625	54,625	2,756
Use of money and property	9,969	-	-	9,969	11,400	11,400	(1,431)
Intergovernmental	1,463,620	-	-	1,463,620	1,334,162	1,334,162	129,458
Charges for service	139,285	1,739,795	185,631	1,693,449	3,220,900	3,220,900	(1,527,451)
Special assessments	40,878	-	-	40,878	42,000	42,000	(1,122)
Miscellaneous	332,248	-	-	332,248	204,200	256,600	75,648
Total receipts	6,923,811	1,739,795	185,631	8,477,975	9,768,050	9,820,450	(1,342,475)
Disbursements:							
Public safety	1,306,598	35,686	35,686	1,306,598	1,157,926	1,352,926	46,328
Public works	818,415	90,106	90,106	818,415	827,836	847,836	29,421
Health and social services	6,000	-	-	6,000	6,000	6,000	-
Culture and recreation	1,092,993	33,065	33,065	1,092,993	1,222,946	1,222,946	129,953
Community and economic development	689,260	-	-	689,260	859,579	859,579	170,319
General government	529,191	15,004	15,004	529,191	594,955	644,955	115,764
Debt service	1,621,465	-	-	1,621,465	1,593,164	1,724,164	102,699
Capital projects	1,334,907	-	-	1,334,907	327,500	1,752,900	417,993
Business type activities	-	2,286,247	11,770	2,274,477	4,263,821	4,393,821	2,119,344
Total disbursements	7,398,829	2,460,108	185,631	9,673,306	10,853,727	12,805,127	3,131,821
Excess (deficiency) of receipts over (under) disbursements	(475,018)	(720,313)	-	(1,195,331)	(1,085,677)	(2,984,677)	1,789,346
Other financing sources, net	1,206,773	1,059,548	-	2,266,321	1,400,000	2,775,526	(509,205)
Change in fund balances	731,755	339,235	-	1,070,990	314,323	(209,151)	1,280,141
Balances beginning of year	1,318,304	546,362	-	1,864,666	1,544,542	1,544,542	320,124
Balances end of year	\$ 2,050,059	885,597	-	2,935,656	1,858,865	1,335,391	1,600,265

See accompanying independent auditor's report.

City of Winterset

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,951,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted. However, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment which took place on June 15, 2020.

City of Winterset

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.026932%	0.026246%	0.024438%	0.025145%	0.023549%	0.023274%
City's proportionate share of the net pension liability	\$ 1,560	1,661	1,628	1,582	1,163	923
City's covered payroll	2,616	2,461	2,255	2,235	2,160	2,165
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.63%	67.49%	72.20%	70.78%	53.84%	42.63%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	85.19%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

City of Winterset

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 247	251	224	206	204	198	199	188	173	151
Contributions in relation to the statutorily required contribution	(247)	(251)	(224)	(206)	(204)	(198)	(199)	(188)	(173)	(151)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,587	2,616	2,461	2,255	2,235	2,160	2,165	2,094	*	*
Contributions as a percentage of covered payroll	9.55%	9.59%	9.10%	9.14%	9.13%	9.17%	9.19%	8.98%	*	*

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Winterset

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue			
	Park and Recreation Projects	Police Special Project	Special Assessment	Total
Receipts:				
Special assessments	\$ -	-	40,878	40,878
Miscellaneous	15,519	3,625	-	19,144
Total receipts	15,519	3,625	40,878	60,022
Disbursements:				
Operating:				
Culture and recreation	16,280	-	-	16,280
Total disbursements	16,280	-	-	16,280
Excess (deficiency) of receipts over (under) disbursements	(761)	3,625	40,878	43,742
Other financing sources (uses):				
Transfers in	10,000	-	-	10,000
Transfers out	-	-	(49,475)	(49,475)
Total other financing sources (uses)	10,000	-	(49,475)	(39,475)
Change in cash balances	9,239	3,625	(8,597)	4,267
Cash balances beginning of year	(4,303)	777	49,383	45,857
Cash balances end of year	\$ 4,936	4,402	40,786	50,124
Cash Basis Fund Balances				
Restricted for other purposes	\$ 4,936	4,402	40,786	50,124
Total cash basis fund balances	\$ 4,936	4,402	40,786	50,124

See accompanying independent auditor's report.

City of Winterset

Schedule 2

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
General Fund Accounts

As of and for the year ended June 30, 2020

	General	Local Option Sales Tax	Total
Receipts:			
Property tax	\$ 1,581,730	-	1,581,730
Other city tax	77,409	492,971	570,380
Licenses and permits	57,381	-	57,381
Use of money and property	9,969	-	9,969
Intergovernmental	481,976	-	481,976
Charges for service	139,285	-	139,285
Miscellaneous	139,084	-	139,084
Total receipts	2,486,834	492,971	2,979,805
Disbursements:			
Operating:			
Public safety	1,095,246	-	1,095,246
Public works	47,778	-	47,778
Health and social services	6,000	-	6,000
Culture and recreation	882,262	-	882,262
Community and economic development	142,522	-	142,522
General government	432,776	-	432,776
Total disbursements	2,606,584	-	2,606,584
Excess (deficiency) of receipts over (under) disbursements	(119,750)	492,971	373,221
Other financing sources (uses):			
Bond proceeds	175,000	-	175,000
Transfers in	110,492	-	110,492
Transfers out	(37,568)	(449,100)	(486,668)
Total other financing sources (uses)	247,924	(449,100)	(201,176)
Change in cash balances	128,174	43,871	172,045
Cash balances beginning of year	386,853	138,934	525,787
Cash balances end of year	\$ 515,027	182,805	697,832
Cash Basis Fund Balances			
Assigned for local option sales tax purposes	\$ -	182,805	182,805
Unassigned	515,027	-	515,027
Total cash basis fund balances	\$ 515,027	182,805	697,832

See accompanying independent auditor's report.

City of Winterset
Schedule of Indebtedness
Year ended June 30, 2020

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Corporate purpose and refunding	March 29, 2012	0.45-2.15%	\$ 4,860,000	1,600,000	-	500,000	1,100,000	28,420	-
Corporate purpose and refunding	March 12, 2015	2.00-2.50%	5,320,000	2,950,000	-	545,000	2,405,000	65,900	-
Corporate purpose, Series 2016	November 22, 2016	2.20%	460,000	402,000	-	30,000	372,000	8,844	-
Refunding, Series 2017A	November 21, 2017	2.00-3.00%	1,245,000	835,000	-	200,000	635,000	23,050	-
Corporate purpose, Series 2018A	July 12, 2018	3.00-4.00%	1,995,000	1,940,000	-	120,000	1,820,000	64,450	-
Corporate purpose, Series 2019A	August 14, 2019	2.00-3.00%	1,025,000	-	1,025,000	-	1,025,000	20,887	-
Vehicle acquisition note	December 4, 2019	2.70%	136,625	-	136,625	-	136,625	1,814	-
Total				<u>\$ 7,727,000</u>	<u>1,161,625</u>	<u>1,395,000</u>	<u>7,493,625</u>	<u>213,365</u>	<u>-</u>
Sewer revenue bonds:									
Sewer refund bonds, Series 2000A	January 17, 2000	1.75%	\$ 225,951	16,000	-	16,000	-	280	-
Sewer refund bonds, Series 2000B	January 17, 2000	1.75%	874,049	61,000	-	61,000	-	1,068	-
Sewer revenue bonds, Series 2012	June 15, 2012	3.00%	1,460,000	890,000	-	56,000	834,000	26,700	-
Sewer revenue bonds, Series 2015	October 2, 2015	1.75%	1,400,000	1,325,000	-	10,000	1,315,000	23,188	-
Sewer revenue bonds, Series 2020	February 14, 2020	1.75%	1,808,000	-	1,090,795	-	1,090,795	2,985	-
Total				<u>\$ 2,292,000</u>	<u>1,090,795</u>	<u>143,000</u>	<u>3,239,795</u>	<u>54,221</u>	<u>-</u>
Interim revenue project notes:									
Sewer	September 28, 2018	0.00%	\$ 105,000	44,035	-	44,035	-	-	-

See accompanying independent auditor's report.

City of Winterset

Bond and Note Maturities

June 30, 2020

Schedule 4

General Obligation Bonds and Notes														
Year Ending June 30,	Corporate Purpose and Refunding Issued March 29, 2012		Corporate Purpose and Refunding Issued March 12, 2015		Corporate Purpose, Series 2016 Issued November 22, 2016		Refunding, Series 2017A Issued November 21, 2017		Corporate Purpose, Series 2018A Issued July 12, 2018		Corporate Purpose, Series 2019A Issued August 14, 2019		Vehicle Acquisition Note Issued December 4, 2019	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	1.75%	\$ 510,000	2.00%	\$ 530,000	2.20%	\$ 30,000	3.00%	\$ 205,000	3.00%	\$ 135,000	2.00%	\$ 30,000	2.70%	\$ 27,325
2022	1.95%	470,000	2.00%	495,000	2.20%	31,000	3.00%	210,000	3.00%	140,000	2.00%	35,000	2.70%	27,325
2023	2.15%	120,000	2.50%	535,000	2.20%	31,000	3.00%	220,000	3.00%	125,000	2.00%	130,000	2.70%	27,325
2024	-	-	2.50%	535,000	2.20%	32,000	-	-	3.00%	130,000	2.00%	130,000	2.70%	27,325
2025	-	-	2.50%	310,000	2.20%	34,000	-	-	3.00%	90,000	2.00%	130,000	2.70%	27,325
2026	-	-	-	-	2.20%	34,000	-	-	3.00%	100,000	3.00%	135,000	-	-
2027	-	-	-	-	2.20%	35,000	-	-	3.00%	105,000	3.00%	140,000	-	-
2028	-	-	-	-	2.20%	48,000	-	-	3.00%	115,000	3.00%	145,000	-	-
2029	-	-	-	-	2.20%	48,000	-	-	3.00%	125,000	3.00%	150,000	-	-
2030	-	-	-	-	2.20%	49,000	-	-	3.00%	130,000	-	-	-	-
2031	-	-	-	-	-	-	-	-	3.00%	140,000	-	-	-	-
2032	-	-	-	-	-	-	-	-	3.00%	150,000	-	-	-	-
2033	-	-	-	-	-	-	-	-	4.00%	160,000	-	-	-	-
2034	-	-	-	-	-	-	-	-	4.00%	175,000	-	-	-	-
		<u>\$ 1,100,000</u>		<u>\$ 2,405,000</u>		<u>\$ 372,000</u>		<u>\$ 635,000</u>		<u>\$ 1,820,000</u>		<u>\$ 1,025,000</u>		<u>\$ 136,625</u>
														<u>7,493,625</u>

Sewer Revenue Bonds						
Year Ending June 30,	Sewer Revenue Bonds, Series 2012 Issued June 15, 2012		Sewer Revenue Bonds, Series 2015 Issued October 2, 2015		Sewer Revenue Bonds, Series 2020 Issued February 14, 2020	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	3.00%	\$ 58,000	1.75%	\$ 76,000	1.75%	\$ 74,000
2022	3.00%	60,000	1.75%	78,000	1.75%	76,000
2023	3.00%	62,000	1.75%	79,000	1.75%	77,000
2024	3.00%	64,000	1.75%	81,000	1.75%	79,000
2025	3.00%	66,000	1.75%	82,000	1.75%	81,000
2026	3.00%	68,000	1.75%	84,000	1.75%	82,000
2027	3.00%	70,000	1.75%	86,000	1.75%	84,000
2028	3.00%	72,000	1.75%	87,000	1.75%	86,000
2029	3.00%	75,000	1.75%	89,000	1.75%	87,000
2030	3.00%	77,000	1.75%	91,000	1.75%	89,000
2031	3.00%	80,000	1.75%	93,000	1.75%	91,000
2032	3.00%	82,000	1.75%	95,000	1.75%	93,000
2033	-	-	1.75%	96,000	1.75%	91,795
2034	-	-	1.75%	98,000	-	-
2035	-	-	1.75%	100,000	-	-
		<u>\$ 834,000</u>		<u>\$ 1,315,000</u>		<u>\$ 1,090,795</u>
						<u>\$ 3,239,795</u>

See accompanying independent auditor's report.

City of Winterset

Schedule 5

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2019	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 2,763,620	2,481,481	2,354,804	2,303,536	2,253,293	2,251,690	2,280,238	2,229,740	2,260,712	2,208,640
Tax increment financing	1,546,430	1,400,435	1,224,431	1,169,132	1,029,353	1,119,476	1,016,949	1,055,065	1,026,990	1,103,473
Other city tax	570,380	571,182	491,496	557,879	481,122	431,768	351,116	359,687	365,294	355,836
Licenses and permits	57,381	58,178	45,396	42,914	75,271	47,126	45,466	46,766	46,013	39,302
Use of money and property	9,969	8,694	3,527	10,535	4,223	4,543	7,388	9,622	24,265	16,330
Intergovernmental	1,463,620	1,471,339	1,215,618	1,481,074	1,177,087	1,156,329	910,853	960,523	840,987	973,494
Charges for service	139,285	225,900	206,054	220,908	212,337	219,369	201,735	183,975	226,139	206,378
Special assessments	40,878	71,868	49,202	96,660	93,358	78,960	90,567	136,755	167,978	176,708
Miscellaneous	332,248	237,990	175,275	284,100	102,045	101,867	154,048	163,378	160,714	143,483
Total	\$ 6,923,811	6,527,067	5,765,803	6,166,738	5,428,089	5,411,128	5,058,360	5,145,511	5,119,092	5,223,644
Disbursements:										
Operating:										
Public safety	\$ 1,306,598	1,092,549	1,022,853	979,895	942,743	917,948	937,455	885,614	877,143	877,143
Public works	818,415	597,753	808,272	827,936	781,424	567,838	670,639	603,433	545,014	545,014
Health and social services	6,000	6,000	6,000	6,000	5,500	5,500	4,500	4,500	5,300	5,300
Culture and recreation	1,092,993	1,199,266	1,146,732	1,095,924	1,090,166	1,025,330	1,097,073	1,053,366	1,099,506	1,099,506
Community and economic development	689,260	710,999	445,920	532,506	354,871	451,994	298,788	391,483	370,254	370,254
General government	529,191	588,614	523,083	456,673	484,810	450,541	461,992	405,879	419,350	419,350
Debt service	1,621,465	1,502,774	2,836,003	1,581,526	1,749,356	1,801,631	3,787,139	5,532,261	3,494,626	3,494,626
Capital projects	1,334,907	2,894,548	609,279	1,439,533	517,042	2,992,343	320,033	1,047,797	290,246	290,246
Total	\$ 7,398,829	8,592,503	7,398,142	6,919,993	5,925,912	8,213,125	7,577,619	9,924,333	7,101,439	7,101,439

See accompanying independent auditor's report.



FALLER, KINCHELOE & Co, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Winterset, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 4, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Winterset Municipal Utilities, the Winterset Airport Authority, the Friends of the Winterset Public Library, the Winterset Firefighters Association, Inc. and the Friends of the Winterset Area Skate Park.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-20, I-B-20 and I-D-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-C-20 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

February 4, 2021

City of Winterset
Schedule of Findings
Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City of Winterset's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City of Winterset (City):

- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (2) Receipts – collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements – purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Long-term debt – recordkeeping and reviewing compensated absences records. Compensated absences are not reviewed by an independent person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Winterset

Schedule of Findings

Year ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial Statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting requirements.

Conclusion - Response acknowledged.

I-C-20 Chart of Accounts

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments recommended by the City Finance Committee on September 10, 2018.

Cause - Policies have not been established and procedures have not been implemented to ensure the City has fully implemented the Uniform COA.

Effect - Lack of policies and procedures resulted in City employees not detecting errors in the normal course of performing their assigned function. As a result, material adjustments to the City's financial statements were necessary.

Recommendation - To provide better financial information and control, the COA, or its equivalent, should be followed.

Response - The City will implement this recommendation.

Conclusion - Response acknowledged.

City of Winterset

Schedule of Findings

Year ended June 30, 2020

I-D-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatement of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – General obligation debt payments were recorded in the Special Revenue, Road Use Tax Fund. These transactions should be recorded in the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. In addition, there was an incorrect recording of transfers. Also, General Fund receipts were recorded in the Special Revenue, Employee Benefits Fund. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Cause – City policies do not require and procedures have not been established to require independent review of financial records to ensure the City's financial records are accurate.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City financial records were necessary.

Recommendation – The City should ensure all general obligation principal and interest payments are made from the Debt Service Fund, and that all transactions are properly recorded on the accounting system.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Winterset
Schedule of Findings
Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the capital projects function prior to the budget amendment which was passed on June 15, 2020. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-B-20 Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 2019 were noted.

II-C-20 Travel Expense - No disbursements of City of Winterset (City) money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-I-20 Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted, except the wastewater revenue bond resolutions require a sinking account be established and monthly transfers equal to 1/6 of the installment of interest coming due on the next succeeding interest payment date and 1/12 of the installment of principal coming due on the next succeeding principal payment date be made to the sinking account. At June 30, 2020, the balance in the sinking account was (\$445,145), which is deficient by over \$500,000.

Recommendation – The City should implement procedures to ensure the wastewater revenue bond requirements are met.

Response – The negative balance occurred when we recorded the new bond transactions, and obviously errors were made in this recording. This was an oversight on our part, and we will implement this recommendation in the future.

Conclusion – Response acknowledged.

City of Winterset

Schedule of Findings

Year ended June 30, 2020

- II-J-20 Financial Condition – The Debt Service Fund and the Enterprise, Garbage Fund had deficit balances of \$66,309 and \$14,594, respectively, at June 30, 2020.

The Special Revenue, Low Moderate Income Fund had a balance of \$524,172 at June 30, 2020. Total disbursements charged to this fund in fiscal year 2020 were \$3,854.

Recommendation – The City should implement procedures to eliminate the deficits in the Debt Service Fund and the Enterprise, Garbage Fund in order to return these funds to a sound financial position. The City should also ensure the balance in the Special Revenue, Low Moderate Income Fund is reasonable.

Response – We will explore alternatives to eliminate the deficits in the Debt Service Fund and the Enterprise, Garbage Fund. In relation to the Special Revenue, Low Moderate Income Fund, the City is required to set aside a certain portion of the residential tax increment financing money received, and as a result, this fund balance continues to increase.

Conclusion – Response acknowledged.

- II-K-20 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-L-20 Interfund Transfers – Interfund transfers were not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

Response – This provision was new in fiscal year 2019. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-M-20 Payroll – Some employee wages were not reported to the Iowa Workforce Development, as required. One instance was noted where an employee timecard was not signed by a supervisor. The wage rate for a new employee was not documented in the City Council minutes.

Recommendation – All employee wages should be reported to the Iowa Workforce Development, as required. The City should also implement procedures to ensure all timecards are signed by a supervisor. In addition, all employee wage rates should be documented in the City Council minutes.

Response – These concerns were an oversight on our part and have been corrected.

Conclusion – Response acknowledged.

City of Winterset

Schedule of Findings

Year ended June 30, 2020

- II-N-20 Payment of General Obligation Bonds – Certain general obligation interest payments were paid from the Special Revenue, Road Use Tax Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer monies from the Special Revenue, Road Use Tax Fund for the interest cost. Payment of the interest should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response acknowledged.

- II-O-20 Workers Compensation Premiums – The City’s workers compensation premiums are paid from the liability and property insurance levy, pursuant to Chapter 384.12(17) of the Code of Iowa. However, it would not appear that the payment of workers compensation premiums paid from the levy generated pursuant to Chapter 384.12(7) of the Code of Iowa is an allowable cost to be paid for from this levy. Instead, it would appear the workers compensation premium cost should be paid from the employee benefits levy, as allowed by Iowa Administrative Code Section 545-4.1(384)

Recommendation – The City should implement procedures to ensure the payment of workers compensation premiums are paid from an allowable funding source.

Response – We were unaware of this provision. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-P-20 Notice of Public Hearing for Public Improvements – The City did not publish a notice of the public hearing for the North Lift Station Replacement project as required by Chapters 26.2 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement which exceeds the competitive bid threshold as documented at Chapters 26.3 and 314.1B of the Code of Iowa, the City Council should hold a public hearing and publish notice of the hearing at least four but not more than twenty days prior to the hearing as required by the Code of Iowa.

Response – We will publish the appropriate notice in the future, as required.

Conclusion – Response acknowledged.

- II-Q-20 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted City’s TIF debt certifications to the County Auditor include amounts relating to rebate and economic development agreement obligations which include an annual appropriation clause. Until appropriated, these payments do not represent debt and, accordingly, should not have been certified as debt.

City of Winterset

Schedule of Findings

Year ended June 30, 2020

Recommendation – The City should consult TIF legal counsel to determine the disposition of these issues. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements. We do not necessarily agree with the logic of how the State of Iowa wants us to report this data on the TIF debt certifications. However, we will make our best effort to comply with the requirements of the State of Iowa in the future.

Conclusion – Response acknowledged.

- II-R-20 Tax Increment Financing Fund Disbursements – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance.

Due to the lack of records, we were unable to determine the propriety of some of the TIF disbursements made to the developers during the year ended June 30, 2020.

Recommendation – The City should implement procedures to ensure that adequate supporting documentation exists prior to disbursements of TIF monies to the developers.

Response – We will correct this issue and make good on all of the amounts due to the developers in fiscal year 2021.

Conclusion – Response acknowledged.

- II-S-20 Annual Urban Renewal Report (AURR) – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the beginning and ending TIF obligations reported on the Levy Authority Summary do not agree to the City's records.

Recommendation – The City should ensure the TIF obligation amounts reported on the Levy Authority Summary agree with the City's records.

Response – These items will be corrected on our next year's report.

Conclusion – Response acknowledged.